ONTARIO MORTGAGE CORPORATION

Annual Report
2014-2015

Minister of Municipal Affairs and Housing

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Ontario

TO THE LIEUTENANT GOVERNOR
OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, I am presenting the Annual Report and audited financial statements of the Ontario Mortgage Corporation for the fiscal year 2014-2015.

This will be the final Annual Report prepared for the Corporation. On April 1, 2015, the Corporation was dissolved and its assets, liabilities, rights, obligations and functions were transferred to the Ontario Mortgage and Housing Corporation.

Respectfully submitted,

_____
Minister, Municipal Affairs and Housing

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Ontario
Ontario Mortgage Corporation

TO THE HONOURABLE
MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

On behalf of the past Board, I am pleased to present a copy of the Ontario Mortgage Corporation's Annual report, together with its audited financial statement, for the fiscal year 2014-2015.

This will be the final Annual Report prepared for the Corporation. On April 1, 2015, the Corporation was dissolved and its assets, liabilities, rights, obligations and functions were transferred to the Ontario Mortgage and Housing Corporation.

The appointments of the directors and officers were terminated and its bank account closed.

Respectfully submitted,

_____

Janet Hope
Past Chair, Ontario Mortgage Corporation

Message from the Chair

As past Chair, I would like to thank my colleagues on the Ontario Mortgage Corporation Board, the officers of the Corporation and ministry staff for their contributions and achievements in the governance and oversight of the Corporation during 2014-2015.

I would also like to thank them for implementing the direction of the Government to dissolve the Ontario Mortgage Corporation (OMC) and transfer its assets and liabilities, rights, obligations and functions to the Ontario Mortgage and Housing Corporation (OMHC) as of April 1, 2015.

Once this Annual Report and related Audited Financial Statements for 2014-2015 have been approved by the Minister, the administrative and reporting responsibilities relating to the Corporation will have come to an orderly conclusion.

Finally, I would like to express my appreciation to the Board of the OMHC which will be overseeing the delivery of the OMC programs going forward.

Janet Hope
Past Chair, Ontario Mortgage Corporation

Annual Report of the Ontario Mortgage Corporation 2014-2015

INTRODUCTION

On April 1, 2015, in accordance with amendments to the Ontario Mortgage and Housing Corporation Act and the Housing Development Act, the Ontario Mortgage Corporation (OMC) was dissolved and its assets, liabilities, rights, obligations and functions were transferred to the Ontario Mortgage and Housing Corporation (OMHC). Accordingly, this is the final Annual Report in respect of the Corporation.

The OMC was a provincial agency, continued by the Housing Development Act as a corporation under the Business Corporations Act. It reported to the Minister of Municipal Affairs and Housing (MMAH). It carried out certain specific duties related to mortgages for which the Province of Ontario was responsible. The Minister was the sole shareholder of OMC, holding it in trust for the Province of Ontario.

As a result of asset sales mandated by the 1997 Government Task Force on Agencies, Boards and Commissions, OMC was, as of March 31, 2015, responsible for only a small residual portfolio of mortgages.

It maintained a bank account in its own name, and its finances did not form part of the books of the Province. It was self-funding and did not receive any transfer payments from MMAH; its direct operating expenditures were covered by revenues generated within the agency. Revenues not needed to cover operating expenses were submitted to the Province's Consolidated Revenue Fund (CRF).

THE BOARD OF DIRECTORS

The OMC's Board of Directors was appointed by and accountable to the Minister of Municipal Affairs and Housing. It ensured that the Corporation carried out its mandate effectively.

The Board of Directors was comprised of six members and it was supported administratively by senior provincial public servants drawn from the Ministry of Municipal Affairs and Housing.

Immediately prior to the dissolution of the Corporation, the Board members were

- Janet Hope, Chair
- Jim Cassimatis, Vice-Chair
- Beverley Thomas-Barnes, Treasurer and Member
- Keith Extance, Member
- Suzanne Graves, Member
- Ralph Walton, Member

On April 1, 2015 these appointments were terminated.

MANDATE

The OMC's mandate was primarily financial in nature, arising from the Corporation's former role in direct delivery of government funded mortgages.

Mandate/Responsibility #1:

Provide due diligence to the existing mortgage portfolio in order to determine eligibility for electronic discharge.

- Review individual case files to determine compliance for registration of discharges.
- Provide confirmation to each mortgagor respecting their outstanding mortgage amounts and obligations under the mortgage programs.

Mandate/Responsibility #2:

Manage and administer OMC's unmarketable loans mortgage portfolio of forgivable (non-payment) mortgage loans established under the Housing Incentive Program.

- Some of these loans are interest free for a term of 15 years. After 5 years, the principal balance outstanding was reduced by 10% per annum.
- Others of these interest free loans have a term of 35 years. After the mortgage reached the 11th year, the mortgage was reduced by 1/15th of the principal balance outstanding. In the event of default, under the program requirements, the principal balance outstanding becomes due and payable.
- When electronic discharges became mandatory, all discharge and/or cessation of mortgages had to be registered by OMC in the appropriate Land Registry Office.

Mandate/Responsibility #3:

Manage OMC's marketable and unmarketable mortgage portfolios and issue electronic discharge as applicable.

- Marketable loans are non-interest bearing and have a repayable term of 15 years. Some of these marketable non-interest bearing loans, while in their 11th year of the

term, require monthly payments of principal until maturity.

- Some of these are marketable non-interest bearing 35 year term loans that require a full payment of principal upon maturity.
- In addition, on behalf of the Ministry, the OMC received flow-through revenues from the Home Ownership Made Easy (HOME) program, being lease payments and deferred mortgage payments collected on behalf of the Ministry by Canada Mortgage and Housing Corporation (CMHC). As a result of an Assignment Agreement between OMC, OMHC and the CMHC, responsibility for receiving the transfers of HOME-related payments shifted to the OMHC as of April 1, 2015.

ACTIVITIES IN 2014-2015

1. Mortgage Administration

The Corporation's current portfolio had been declining, as no direct mortgage loans have been provided since 1978, and no other new loans have been made since 1992. Hence the activities of the Corporation included managing the remaining portfolio, and issuing electronic discharges on mortgages registered in favour of the OMC.

All correspondence and telephone inquiries on the mortgage portfolio were handled by a staff support team within the Ministry of Municipal Affairs and Housing. They were also responsible for maintaining and updating the mortgage database.

The Corporation continued to collect funds from mortgage discharges. Funds generated by the Corporation were deposited in the Consolidated Revenue Fund. While the amount varied from year to year, a downward trend was evident as the agency's business activities declined.

2. Board Activities

The Board conducted two meetings in the 2014-2015 fiscal year, its Annual General Meeting, held on June 12, 2014 and a second meeting, held on October 15, 2014.

3. Administrative Support

The following employees of the Ministry were the Officers of the Corporation appointed by the Minister.

The Treasurer, Beverley Thomas-Barnes, was responsible for the financial administration of the Corporation.

The Chief Executive Officer, Alison Coke, was responsible for the day-to-day management of the Corporation's operations.

The Corporate Secretary, Margaret Booth, was responsible for:

- Arranging and attending Board meetings;
- Recording Minutes of Board Meetings; and
- Ensuring that the Chair approved and co-signed the Minutes of Board meetings.

In addition, there were other ministry staff that supported the CEO, Treasurer and Corporate Secretary on an as needed basis in the execution of their duties.

4. Compliance with the Agencies and Appointments Directive (AAD)

In 2014-15 the Corporation was fully compliant with the Agencies and Appointments Directive (AAD).

NATURE OF OPERATIONS

To support the unmarketable mortgage portfolio, which matures in 2015, and other outstanding marketable mortgage loans which mature by 2024, the OMC's routine operational activities included:

- Discharging mortgages electronically in Land Registry Offices, and ensuring OMC was removed from title in relation to previously discharged mortgages that had not been registered;
- Updating OMC's mortgage database of outstanding mortgages by posting payments and reporting mortgage balances;
- Reviewing and responding to correspondence from insurance companies on mortgages;
- Preparing financial summaries of revenue received from accounts, and submitting summaries to the Ministry's Controllership & Financial Planning Branch (CFPB);
- Administering mortgages subject to powers of sale, bankruptcies, city violations and tax sales;
- Liaising with Canada Mortgage and Housing Corporation (CMHC) on residual mortgages, leaseholds, and deferred mortgages, as shown on title;
- Receiving monthly payments for OMC's share of CMHC-administered mortgage loans, and remitting them to the Consolidated Revenue Fund (CRF); and
- Handling telephone inquiries for the OMC on behalf of the Ministry.

PERFORMANCE DURING THE YEAR 2014-2015

1. Operational Performance

The Corporation met all of its operational requirements in the 2014-2015 fiscal year as required by its mandate.

2. Financial Performance

The Agency managed the mortgages for which it was responsible, including the resulting funds collected in compliance with the applicable provincial financial guidelines and policies and the terms of the individual mortgage agreements.

Due diligence in relation to mortgage administration and tracking was a priority, as was ensuring that the revenues due to the OMC, and the CRF in turn, were collected and managed appropriately.

The audit, conducted by Weiler & Company, for the 2014-2015 fiscal year is attached.

3. Variance Analysis

The variances between budget and actuals are due to the fact that budget is based on historical averages but the actual revenues and expenses vary significantly year over year and are hard to predict.

4. Commitment to Good Management and Compliance

As a result of amendments to the Ontario Mortgage and Housing Corporation Act and the Housing Development Act, the OMC was dissolved and its assets, liabilities, rights, obligations and functions were transferred to the OMHC. On that date, the appointments of its directors and officers terminated. The bank account was closed.

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Ontario

Ontario Mortgage and Housing Corporation

Société ontarienne d'hypothèques et de logement

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Mortgage Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 18, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis.

The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by Weiler & Company of Guelph, Ontario. Weiler & Company's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of Weiler & Company's examination and opinion.

On behalf of Management,

Alison Coke
Chief Executive Officer

ONTARIO MORTGAGE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

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WEILER & COMPANY
CHARTERED ACCOUNTANTS

Dennis J. Weiler, CPA, CA, LPA
Martha M. Zettle, CPA, CA, LPA, TEP
CPA (Illinois)
Lori A. Halliday, CPA, CA, LPA
Dan J. Waterston, CPA, CA-IT, LPA, CISA
Michael J. Kerr, CPA, CA, LPA
Lisa A. Bursey, CPA, CA, LPA, TEP

INDEPENDENT AUDITOR'S REPORT

To: The Shareholder of Ontario Mortgage Corporation

We have audited the accompanying financial statements of **Ontario Mortgage Corporation**, which comprise the statement of financial position as at **March 31, 2015** statements of operations, changes in net financial (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Mortgage Corporation at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Public sector accounting standards.

"Weiler & Company"
Chartered Accountants
Licensed Public Accountants

Guelph, Ontario
June 18, 2015

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ONTARIO MORTGAGE CORPORATION

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	$0	$432,964
Due from Canada Mortgage and Housing Corporation	10,722	6,801
Due from Ministry of Finance	51	0
Due from Ontario Mortgage Housing Corporation	399	0
Sundry receivables	0	416
Mortgages receivable	0	37
	11,172	440,218
LIABILITIES		
Accounts payable and accrued liabilities	11,077	3,236
Due to Ministry of Finance	0	3,678
Due to shareholder	50,351	470,681
	61,428	477,595
ACCUMULATED DEFICIT	$ (50,256)	$ (37,377)

see accompanying notes

ONTARIO MORTGAGE CORPORATION

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Recovery of mortgage advances	$25,000	$ 0	$ 0
Discharge fees	12,700	469	3,269
Interest income	2,600	3,482	4,138
	40,300	3,951	7,407
EXPENSES			
Professional fees	10,700	16,826	8,984
Office	0	4	1
Mortgage administration fees	0	0	16
Discharge fees	15,000	0	26,911
Bank charges and interest	400	0	3
	26,100	16,830	35,915
DEFICIT for the year	$ 14,200	(12,879)	(28,508)
DEFICIT at beginning of the year		(37,377)	(8,869)
DEFICIT at end of the year		$ (50,256)	$ (37,377)

see accompanying notes

ONTARIO MORTGAGE CORPORATION

STATEMENT OF CHANGE IN NET FINANCIAL (DEBT)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
OPERATING SURPLUS (DEFICIT) for the year	$ 14,200	$ (12,879)	$ (28,508)
(Increase) decrease in prepaid expenses	0	0	1,243
(DECREASE) INCREASE in net financial assets	14,200	(12,879)	(27,265)
NET FINANCIAL (DEBT) at beginning of the year	(37,377)	(37,377)	(10,112)
NET FINANCIAL (DEBT) at end of the year	$ (23,177)	$ (50,256)	$ (37,377)

see accompanying notes

ONTARIO MORTGAGE CORPORATION

STATEMENT OF CHANGES IN CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Deficit for the year	$ (12,879)	$ (28,508)
Changes to non-cash working capital items		
(Decrease) increase in due to Ministry of Finance	(3,729)	2,523
(Increase) decrease in due from Canada Mortgage and Housing Corporation	(3,922)	43,388
Decrease in sundry receivables	416	55
(Increase) decrease in prepaid expenses	0	1,243
(Increase) in due from Ontario Mortgage Housing Corporation	(399)	0
Decrease in mortgages receivable	37	233
Increase in accounts payable and accrued liabilities	7,842	1
	(12,634)	18,935
FINANCING ACTIVITIES		
Decrease in amount owing to Ministry of Municipal Affairs and Housing	(420,330)	(65,857)
NET DECREASE IN CASH	(432,964)	(46,922)
CASH, BEGINNING OF YEAR	432,964	479,886
CASH, END OF YEAR	$ 0	$ 432,964

ONTARIO MORTGAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

NATURE OF BUSINESS

The Corporation was incorporated under the Corporations Act in 1948 and remained active until April 1, 1982, at which time its assets, liabilities and shareholder's equity were transferred to Ontario Land Corporation (OLC). OLC ceased active operations on March 31, 1987, at which time the Corporation was reactivated under the Ontario Business Corporations Act and certain assets and liabilities of OLC were transferred to it. All the outstanding shares of the Corporation are held in trust for the Crown in the Right of the Province of Ontario (the Province). Effective October 1, 1994, the outstanding shares together with all assets and liabilities of the Corporation were transferred from the Chair of Management Board of Cabinet to the Minister of Municipal Affairs and Housing (formerly the Minster of Housing). The Corporation returns funds to the Province in the form of dividends arising from current year's earnings and capital recoveries from mortgages and real estate.

In response to government policy, the Corporation sold the majority of its mortgage portfolio during the year ended March 31, 1988. Portions of the remaining portfolio may be sold in the future. The Corporation has entered into an agreement with the Canada Mortgage and Housing Corporation to administer the remaining mortgages.

The Corporation administers certain housing incentive programs and undertakes transactions on behalf of the Ministry of Municipal Affairs and Housing and its related agencies and Crown corporations. Where funds are deposited in the Corporation's bank account related to these transactions, the Corporation earns interest on the funds. Where mortgages are administered under these programs, administration fees are earned and shown as revenues of the Corporation. The Corporation also administers a portfolio of land leases and deferred mortgages for the Ministry of Municipal Affairs and Housing.

Salaries, benefits and other administrative expenses of the Corporation are absorbed by the Ministry of Municipal Affairs and Housing.

1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board. The Company has applied the following significant accounting policies:

(a) REVENUE RECOGNITION

Revenue from the sale of real estate is recognized when title passes to the purchaser. All other revenue is recognized when received.

(b) MORTGAGES RECEIVABLE

Mortgages receivable are carried at the principal amount outstanding plus accrued interest, less mortgage allowance and provision for losses.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand. They are accounted for at market value with the change in market value recognized in net income for the year, unless market value is not readily determinable.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, capital assets, goodwill and accounts payable and accrued liabilities.

2. MORTGAGES RECEIVABLE

The Corporation has no outstanding mortgages at year end (2014 - 1).

3. ACCUMULATED DEFICIT

	2015	2014
CAPITAL STOCK		
Authorized		
Unlimited common shares		
Issued		
10 common shares for	$ 10	$ 10
DEFICIT		
Balance at beginning of the year	(37,387)	(8,879)
Deficit for the year	(12,879)	(28,508)
Balance at end of the year	(50,266)	(37,387)
ACCUMULATED DEFICIT	$ (50,256)	$ (37,377)

4. BUDGETED FIGURES

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors.

5. SUBSEQUENT EVENTS

On April 1, 2015, the assets, liabilities, rights and obligations of Ontario Mortgage Corporation were transferred to the Ontario Mortgage and Housing Corporation and the Corporation was dissolved.